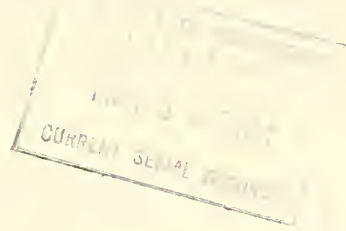


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PRICE SPREADS FOR BEEF AND PORK



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PRICE SPREADS FOR BEEF AND PORK 1/

:
: Farm-retail price spreads for U. S. Choice grade beef reached :
: a new record in 1960, about 1 percent higher than in 1959. Spreads :
: for pork (retail cuts), on the other hand, decreased about 9 percent :
: in 1960 to 27.1 cents from the record 29.8 cents per retail pound set :
: in 1959. 2/ :
:
: Annual average retail prices for both beef and pork in 1960 were :
: down slightly from the 1959 levels. During the same period farm :
: values for Choice grade beef decreased while those for pork increased. :
:

Beef

Farm Value, Retail Price, and Farmer's Share

paced farm values.

The farm value of U. S. Choice grade beef in 1960 averaged 48.7 cents per retail pound (table 3), 2.4 cents below the 1959 average. During the 1949-60 period, the net farm value ranged from 65.8 cents in 1951 to 39.8 cents in 1956 (fig. 1).

Farmers received an average of 60 cents of the consumer's dollar spent for Choice beef in 1960, 2 cents less than in 1959. During the 1949-60 period, the farmer's share varied from 75 cents in 1951 to 60 cents in 1956.

The annual average retail price for Choice beef in 1960 was 80.7 cents per pound, 2.1 cents below the 1959 level, but 14.7 cents above the annual average in 1956, the low for the 1949-60 period. The decrease in both farm value and retail price in 1960 was influenced primarily by increased cattle slaughter, which was 10 percent larger in 1960 than in 1959. Retail prices during 1949-60 out-

Farm-Retail Spreads

Farm-retail price spreads for U. S. Choice grade beef increased from an annual average of 31.7 cents per pound (retail weight) in 1959 to a new record high of 32.0 cents in 1960 (table 3). During 1949-60, spreads rose every year except in 1954 (fig. 1), with an average annual increase of 1.2 cents per retail

1/ Prepared by Victor B. Phillips, agricultural economist, Marketing Economics Research Division, Agricultural Marketing Service.

2/ The farm-retail price spread or marketing margin is the difference between the price per pound the consumer pays for beef or pork at retail and the farm value or payment the farmer receives for an equivalent quantity of live animal less a byproduct allowance. It is a gross return to marketing agencies for the distributing and processing services required to move live animals from the farm and to convert them to meat in the consumer's hands.

Table 3.--Beef (U. S. Choice grade): Retail price per pound, net farm value, farm-retail spread, and farmer's share of the retail price, by quarters, 1959-60

Period	Retail price	Net farm value ^{1/}	Farm-retail spread ^{2/}	Farmer's share
	Cents	Cents	Cents	Percent
1959				
Jan.-Mar.	83.0	52.3	30.7	63
Apr.-June	83.4	53.1	30.3	64
July-Sept.	82.6	50.6	32.0	61
Oct.-Dec.	82.1	48.4	33.7	59
Average	82.8	51.1	31.7	62
1960				
Jan.-Mar.	81.2	50.3	30.9	62
Apr.-June	81.7	50.2	31.5	61
July-Sept.	80.1	46.5	33.6	58
Oct.-Dec. ^{3/}	79.7	47.7	32.0	60
Average ^{3/}	80.7	48.7	32.0	60

- ^{1/} Gross farm value of 2.16 pounds of Choice grade cattle less byproduct allowance.
2.16 pounds of Choice grade cattle yields 1 pound of beef at retail.
^{2/} Difference between the retail price paid by the consumer and the farm value.
^{3/} Preliminary.

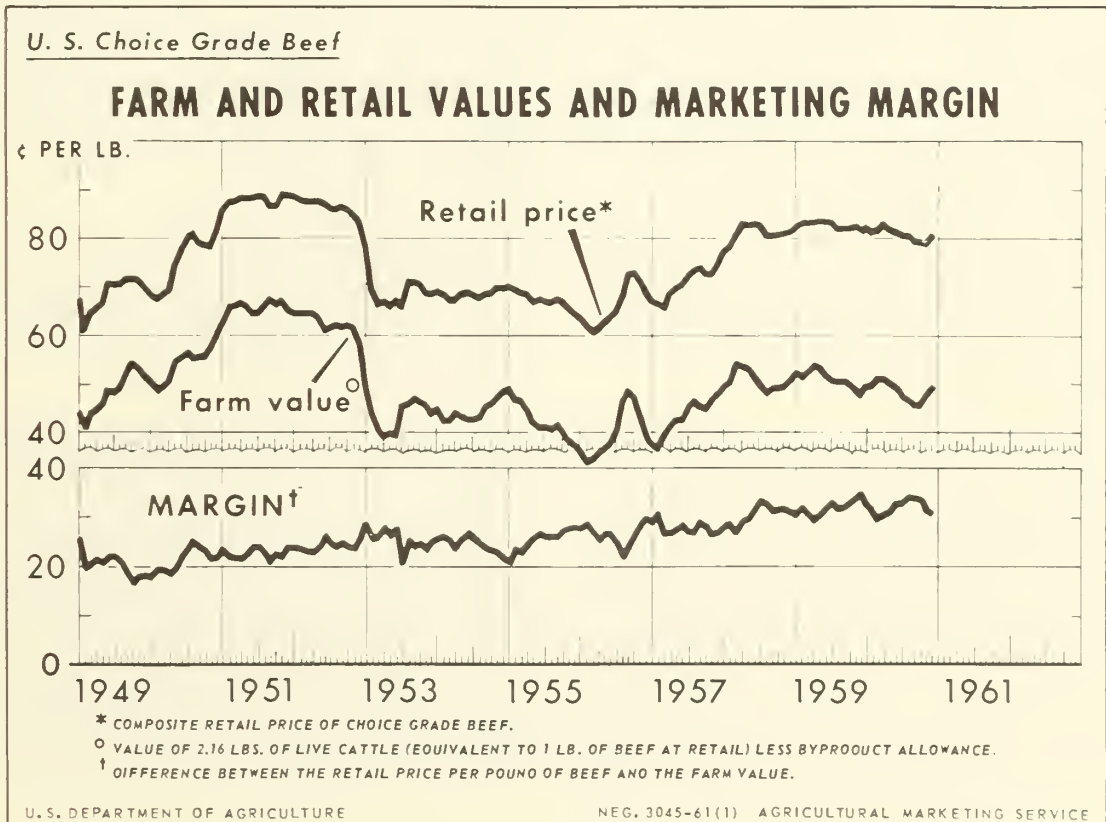


Figure 1

Table 4.--Beef (Choice grade): Live-wholesale and wholesale-retail spreads, by quarters, 1959-60 1/

Quarter	Live-wholesale (per 100 pounds live weight)					Wholesale-retail (per 100 pounds carcass weight)		
	Price of steers 2/	Wholesale value			Spread	Wholesale price 4/	Retail value 5/	Spread
		Carcass 3/	Byproducts	Total				
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1959								
Jan.-Mar.	27.96	28.04	2.41	30.45	2.49	47.53	66.40	18.87
Apr.-June	28.83	28.30	2.90	31.20	2.37	47.96	66.72	18.76
July-Sept.	27.62	27.32	2.82	30.14	2.52	46.31	66.08	19.77
Oct.-Dec.	26.06	26.32	6/2.31	6/28.63	6/2.57	44.61	65.68	21.07
Average	27.62	27.50	6/2.61	6/30.11	6/2.49	46.60	66.24	19.64
1960 <u>7/</u>								
Jan.-Mar.	26.53	27.01	2.19	29.20	2.67	45.78	64.96	19.18
Apr.-June	26.86	27.16	2.33	29.49	2.63	46.03	65.36	19.33
July-Sept.	25.01	25.60	2.25	27.85	2.84	43.39	64.08	20.69
Oct.-Dec.	25.28	25.26	2.21	27.47	2.19	42.81	63.76	20.95
Average	25.92	26.26	2.24	28.50	2.58	44.50	64.56	20.06

1/ Quarterly data for 1949-55 are published in Beef Marketing Margins and Costs, U.S. Dept. Agr. Misc. Pub. 710, Feb. 1956, tables 1 and 3.

2/ Weighted average of prices at 20 leading public stockyards.

3/ Wholesale carcass value is 59 percent of average wholesale price of 100 pounds of Choice grade carcass beef.

4/ Weighted average of prices of Choice grade carcass beef in New York, Chicago, Los Angeles, San Francisco, and Seattle.

5/ Calculated from average of prices of beef cuts in urban areas, published by Bur. Labor Statistics. The retail value per 100 pounds carcass weight is 80 percent of average retail cost of 100 pounds of retail cuts, because about 20 pounds of a 100-pound carcass is fat, bone, and trim which is sold by retailers at nominal prices.

6/ Revised.

7/ Oct.-Dec. and annual averages are preliminary.

pound. In 1960, more of the increase was in the wholesale retail segment than in the live-wholesale, though the percentage increase was larger for the live-wholesale segment (table 4).

Changes in retail prices of both beef and pork tend to lag behind changes in wholesale prices and wholesale prices tend to lag behind live animal prices. For this reason, seasonal and cyclical changes in live animal prices generally are accompanied by inverse changes in price spreads. For example, the decrease of 3.7 cents in the farm value of beef from the second to the third quarter of 1960 was accompanied by a decrease of only 1.6 cents in the retail price and an

increase of 2.1 cents in the spread. The upward trend in the spread during 1949-60 resulted from rising costs of labor, transportation, and other items that make up the spread.

Live - Wholesale and Wholesale - Retail Spread

The live-wholesale and wholesale-retail spreads -- the components of the farm-retail price spread -- trended upward during the 1949-60 period.

Live-wholesale price spreads for U.S. Choice grade beef averaged \$2.58 per 100 pounds live weight in 1960, 9 cents more

than in 1959 (table 4). ^{3/} During 1949-60, 100 pounds (carcass weight) higher in there was a slight upward trend, and on 1960 than in 1959. This increase pushed an annual basis, these spreads ranged the annual average spread to a new high from a low of \$2.14 per 100 pounds live of \$20.06 (table 4). ^{4/} The wholesale-weight in 1950 to a high of \$2.94 in 1953. retail spread, unlike the live-wholesale, showed a marked upward trend during

Wholesale-retail spreads for U. S. 1949-60. It ranged from a low of \$11.94 Choice grade beef averaged 42 cents per in 1949 to a high of \$20.06 in 1960.

Pork

Farm Value, Retail Price, and Farmer's Share Farm-Retail Spread

The farm value of pork increased from an average of 27.3 cents per retail pound in 1959 to 29.4 cents in 1960 (table 5). ^{5/} The primary factor was a drop of about 3 percent in hog slaughter from 1959 to 1960. During the 1949-60 period, the farm value ranged from 41.0 cents per retail pound in 1953 to 27.2 cents in 1956 (fig. 2).

Retail prices of pork in 1960 lagged behind rising farm values. They averaged 56.5 cents per pound, 0.6 cent below the 1959 level. The annual average retail price for pork during the 1949-60 period reached a low of 52.1 cents in 1956, and a high of 64.8 cents in 1954 and 1958 (fig. 2).

In 1960, farmers received 52 cents of the consumer's dollar spent for pork products, 4 cents more than in 1959. This increase in the farmer's share in 1960 resulted from an increase in the farm value and a decrease in the farm-retail spread.

Farm-retail price spreads for pork in 1960 averaged 27.1 cents per pound compared with the record high of 29.8 cents in 1959 (table 5).

The drop of 2.7 cents was the largest year-to-year percentage decrease since 1945 and the largest cents-per-pound decrease since 1932.

During 1960, prices received by farmers for hogs increased while the annual average retail price of pork decreased, resulting in a narrowing of the farm-retail price spread, most of which was in the retail segment.

Three important characteristics of prices and spreads for hogs and pork during 1949-60 are shown in figure 2: (1) Spreads gradually widened; (2) changes in retail prices tended to lag behind changes in farm prices; and (3) during the short run this lag caused an inverse relation between prices and spreads--when prices rose sharply, spreads narrowed; when prices dropped, spreads widened.

^{3/} The live-wholesale spread is the difference between the average public stockyard price per 100 pounds for Choice grade live steers, and the average value of 59 pounds of carcass beef plus the byproducts (heart, liver, tallow, hide, etc.).

^{4/} The wholesale-retail spread is the difference between the average wholesale carcass price per 100 pounds of U. S. Choice grade beef and the retail value of 80 pounds of retail cuts. (About 20 pounds of a 100-pound carcass is fat, bone, and trim which the retailer sells at nominal prices.) This spread or margin covers the services retailers provide in fabricating carcasses into smaller cuts suitable for retail trade.

^{5/} The farm value is the payment farmers received for the quantity of live hog equivalent to 1 pound of pork in the retail store, less a byproduct allowance. It is the price per pound received by farmers calculated on a retail-weight basis.

Table 5.--Pork (retail cuts): Retail price per pound, farm value, farm-retail spread, and farmer's share of retail price, by quarters, 1959-60

Period	Retail price	Net farm value ^{1/}	Farm-retail spread ^{2/}	Farmer's share
	Cents	Cents	Cents	Percent
1959				
Jan.-Mar.	59.1	29.7	29.4	50
Apr.-June	58.2	29.5	28.7	51
July-Sept.	57.3	26.7	30.6	47
Oct.-Dec.	53.8	23.2	30.6	43
Average.	57.1	27.3	29.8	48
1960				
Jan.-Mar.	52.3	25.3	27.0	48
Apr.-June	56.2	29.7	26.5	53
July-Sept.	59.1	30.8	28.3	52
Oct.-Dec. ^{3/}	58.6	31.6	27.0	54
Average ^{3/}	56.5	29.4	27.1	52

^{1/} Gross farm value of 1.82 pounds of live hog less allowance for lard and inedible byproducts.

^{2/} Difference between retail price and net farm value.

^{3/} Preliminary.

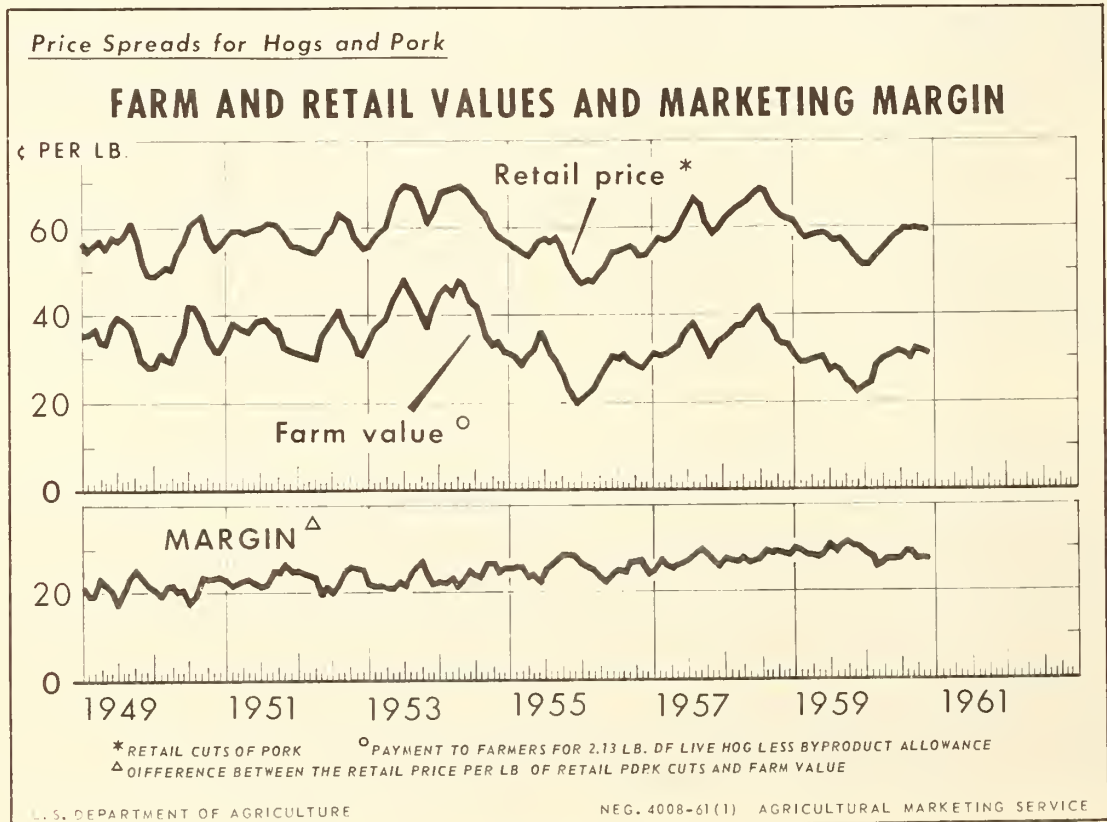


Figure 2

Table 6.--Pork: Live-wholesale and wholesale-retail spreads, by quarters, 1959-60 ^{1/}

Quarter	Live-wholesale (per 100 pounds live weight)			Wholesale-retail (per 100 pounds major cuts)		
	Price of hogs ^{2/}	Wholesale value ^{3/}	Spread	Wholesale value ^{4/}	Retail value ^{5/}	Spread
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1959						
Jan.-Mar.	16.66	22.17	5.51	41.61	58.86	17.25
Apr.-June	16.85	21.96	5.11	41.71	58.01	16.30
July-Sept.	14.47	20.54	6.07	39.54	56.97	17.43
Oct.-Dec.	12.88	19.01	6.13	36.37	53.52	17.15
Average	15.22	20.92	5.70	39.81	56.84	17.03
1960						
Jan.-Mar.	14.27	19.68	5.41	38.02	52.05	14.03
Apr.-June	16.94	21.82	4.88	41.79	55.96	14.17
July-Sept.	17.40	22.65	5.25	42.96	58.88	15.92
Oct.-Dec. ^{6/}	18.00	23.20	5.20	43.49	58.28	14.79
Average ^{6/}	16.65	21.84	5.19	41.56	56.29	14.73

^{1/} Quarterly data for 1949-55 are published in Pork Marketing Margins and Costs, U.S. Dept. Agr. Misc. Pub. 711, Apr. 1956, tables 1 and 2.

^{2/} Average price of 200-220 pound barrows and gilts, Chicago.

^{3/} Wholesale value at Chicago of 71 pounds of pork and lard obtained from 100 pounds of live hog.

^{4/} Wholesale value of 100 pounds of major pork cuts at Chicago computed from Live-stock Market News and National Provisioner price quotations of individual cuts.

^{5/} Calculated from average retail prices of major pork cuts in urban areas, published by Bur. Labor Statistics.

^{6/} Preliminary.

Live - Wholesale and Wholesale - Retail Spreads

Live-wholesale price spreads for pork in 1960 averaged \$5.19 per 100 pounds liveweight, 51 cents lower than in 1959 (table 6). ^{6/} This was the largest year-to-year decrease in live-wholesale spreads during 1949-60, the period for which data are available. Occasionally, year-to-year, and more often month-to-month decreases

in spreads are associated with rising prices of hogs. Hog prices in 1960 rose by more than 9 percent over those in 1959.

In 1960, the wholesale-retail spread for pork averaged \$14.73 per 100 pounds compared with the record \$17.03 set in 1959 (table 6). ^{7/} This year-to-year decrease of \$2.30 was the largest recorded during the 1949-60 period.

^{6/} The live-wholesale price spread (or packer spread) for pork is the difference between the live-weight price of hogs per 100 pounds and the wholesale value of 47 pounds of major fresh and cured cuts which include hams, loins, picnics, butts, and spareribs, about 9 pounds of minor edible products, such as neck bones, trimmings, fat, head meat, heart, and liver, and 15 pounds of lard. These quantities are approximate yields of wholesale products from 100 pounds of live hog.

^{7/} The wholesale-retail price spread or retailer spread is the difference between the average wholesale price of 100 pounds of fresh and cured pork products and the value of an equivalent quantity at retail.

